

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7262**

**BILL NUMBER:** HB 1716

**NOTE PREPARED:** Jan 31, 2005

**BILL AMENDED:**

**SUBJECT:** Disclosure of Hospital Health Care Costs.

**FIRST AUTHOR:** Rep. Ripley

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires hospitals and ambulatory outpatient surgical centers to: (1) provide billing information to patients and the public; (2) establish an appeal procedure for disputed patient bills; and (3) establish programs that provide reduced cost of care to eligible individuals and alternative payment options to other individuals. The bill requires the State Department of Health to investigate violations of these requirements and specifies action that may be taken by the Department for a violation.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** *Indiana State Department of Health (ISDH):* The bill requires the ISDH to post reports on its internet website that are submitted from facilities that include: (a) a copy of the facility's current charge master, (b) the facility's billing policy concerning the charge master, (c) information concerning any changes in the facility's gross revenue due to a change in the charge master during the previous 12 months, and (d) the expected amount that would be reimbursed under Medicare for a service listed on the facility's charge master. The ISDH's current level of resources should be sufficient to implement these changes.

**Investigations:** The bill requires ISDH to investigate complaints made by individuals alleging that a facility has violated the requirements of this bill. Depending on the number of complaints investigated, ISDH could possibly need to employ an additional investigator. ISDH reports that the cost to employ an additional investigator would be approximately \$63,600 annually. This cost includes salary, benefits, mileage, and some office equipment.

The bill allows ISDH to suspend or revoke a facility's license, or fine a facility not more than \$5,000, should

they be found in violation of the requirements of this bill after an investigation has been conducted. ISDH reports that there is currently no suspension action. However, if it revokes a facility's license, it could incur some surveyor costs to oversee the closing of the facility and relocation of patients. Increases in revenues due to surveyor costs are dependent on the number of facilities which have their license suspended and the amount of workload per facility. Increases in expenditures are likely minimal.

*Required Report:* The bill requires ISDH to annually issue a report to the Legislative Council and the Governor which includes (1) the number of persons who applied to participate in programs created to reduce the cost of services provided by a facility for a patient who has an income of not more than 250% of the FPL, and does not have insurance coverage, or does not qualify for Medicaid, Medicare, and association policy, or any other state or federal health care services assistance program; (2) the number of investigations conducted for violation of the requirements of this bill; (3) the number of violations confirmed; and (4) the name of a facility that has violated the requirements of this bill.

ISDH currently employs one person who is responsible for the gathering of data and preparation of reports. The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations.

The bill requires ISDH to make the report available to the public upon request. ISDH could experience a minimal increase in expenditures as a result. Any increase is dependent on the length of the report; mailing costs, if any; and the number of reports requested.

*Background Information:* The State Department of Health currently licenses 39 hospitals that are funded through county and local governments. ISDH does not license any ambulatory outpatient surgical centers that are funded through state, county, or local governments.

**Explanation of State Revenues:** The bill allows ISDH to charge a fee of not more than \$5,000 if a facility violates the requirements of this bill. Fees collected are deposited into the state General Fund. Any increase in revenues is dependent on the number of fines administered and the amount in which they are issued.

**Explanation of Local Expenditures:** The bill requires a facility to establish a program that reduces the cost of a service provided by the facility for a patient who: (1) has an income of not more than 250% of the federal poverty level (FPL); and (2) does not have insurance coverage or does not qualify for coverage under Medicaid, Medicare, an association policy; or any other state or federal assistance program that provides coverage for health care services.

The Henry J. Kaiser Foundation reports that in 2003, there were approximately 821,000 uninsured persons falling under 250% of the FPL in Indiana. The number of these persons served by one of Indiana's 39 county hospitals are unknown. A portion of this population may already be receiving some sort of charity care from a hospital. Hospitals would experience a decrease in revenues if a person, who is currently not receiving some form of charitable services, is given a reduction in service costs. The amount of the decrease is indeterminable and is dependent on the number of persons receiving service cost reductions, and the amount of cost reduction that they receive.

The bill also requires a facility to establish a program that creates a method of payment that allows a patient

who has an income of more than 250% of the FPL to pay for services rendered by the facility in a manner other than a lump sum basis or a delayed basis. The Henry J. Kaiser Foundation reports that there were approximately 4,000 uninsured persons in 2003 that were over 250% of the FPL.

The cost for hospitals to establish the above two programs is currently unknown. If one additional staff person were hired to establish and maintain the program, a hospital could incur costs of approximately \$40,000 annually.

*Internet:* The bill requires facilities to post a copy of the program created to reduce the cost of services provided by a facility for a patient who has an income of not more than 250% of the FPL, and does not have insurance coverage, or qualify for Medicaid, Medicare, or an association policy, or any other state or federal health care services assistance program; and its current charge master, on its internet website.

*Report Filing:* The bill requires each facility to file the following reports with ISDH: (a) the number of patients that applied to participate in the program created to reduce the cost of services provided for a patient who has an income of not more than 250% of the FPL, and does not have insurance coverage, or qualify for Medicaid, Medicare, or an association policy, or any other state or federal health care services assistance program, and the number of patients approved for the program; (b) a copy of the facility's current charge master, the facility's billing policy concerning the charge master, information concerning any changes in the facility's gross revenue due to a change in the charge master during the previous 12 months, the expected amount that would be reimbursed under Medicare for a service listed on the facility's charge master; and (c) the number of appeals filed relative to bill charges, the total amount of billing charges subject to appeal, and a summary of the disposition of each appeal. Hospitals may need to hire an additional staff person to facilitate the creation of these reports. The need for additional staff will vary between hospitals. If an additional staff person is hired, the cost to the hospital could be approximately \$40,000 annually.

*Appeals:* A person may appeal any charges billed by a facility, a contractor of the facility, or a licensed physician who provides services at the facility. The appeals process must include (1) the review of the charges by an individual who was not involved in the initial billing of the patient; and (2) a written decision with a clear explanation of the grounds for the decision concerning the billing appeal. The latter must be completed not later than 30 days after the facility receives the request for appeal. The Indiana Hospital and Health Association reports that there is variation across the board in the manner in which appeals are conducted within facilities. The cost to establish or adjust an appeals program which meets the requirements of this bill are unknown and will vary by facility.

### **Explanation of Local Revenues:**

**State Agencies Affected:** Indiana State Department of Health.

**Local Agencies Affected:** Hospitals.

**Information Sources:** Tim Kennedy, Indiana Hospital and Health Association; Kathryn Brigham, ISDH; Henry J. Kaiser Foundation; Federal Poverty Level Guidelines.

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